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Report to the United Nations Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions

Summary

The present document reports on the steps taken or to be taken in response to the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1998-1999. It also presents the status of implementation of the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1996-1997.

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I. Introduction

1. As an ongoing practice, UNICEF has been submitting a report to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions (ACABQ), to advise the Assembly as to the measures that the organization takes to implement the recommendations of the United Nations Board of Auditors.

2. The present report reviews the implementation by UNICEF of the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1998-1999. The report also discusses the status of implementation of the recommendations of the Board of Auditors on the accounts for the biennium 1996-1997.

3. The administration wishes to note that to underscore the importance that UNICEF places on audit recommendations from both the United Nations Board of Auditors and its own Office of Internal Audit (OIA), UNICEF has institutionalized the procedures for the review of audit matters through the Audit Committee. The Committee, which is composed of senior staff of the organization, periodically reviews matters of critical concern raised during both external and internal audits. The Audit Committee, which is chaired by the Executive Director, has instituted an appropriate follow-up mechanism whereby the responsible and accountable officials are asked to provide explanations on matters pertaining to them.

4. As noted by the General Assembly in A/54/159 dated 2 July 1999, the administration has informed the United Board of Auditors that one officer, the Executive Director, is responsible for overseeing the implementation of audit recommendations. This accountability is shared by senior staff responsible for the specific areas covered in the audit recommendations.

5. The present document is submitted to the Board of Auditors and ACABQ for their evaluation.

II. Progress report on specific steps taken to implement the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1998-1999

6. This chapter describes the steps taken or to be taken by UNICEF in response to the recommendations of the Board of Auditors and ACABQ on its accounts for the biennium 1998-1999.

Recommendation No. 1

7. UNICEF should closely monitor programme implementation levels so that desired implementation benchmarks could be achieved.

Measures taken by UNICEF

8. UNICEF has taken a number of steps to ensure the close monitoring of programme implementation levels:

(a) At the field level, country offices undertake a review of programme implementation during the annual and mid-term reviews. These reviews, which are an integral and important part of the work plan of all country offices, are carried out with the corresponding national partners;

(b) Similarly, Regional and Global Management Teams also review the programme implementation levels to ensure full and effective utilization of both regular and other resources, and to provide guidance for further improvements where required.

9. In 2000, these actions have resulted in an implementation level of 87 per cent at the global level for the total programme expenditure, i.e., for regular and other resources. The Deputy Executive Director, Programme and Strategic Planning, is accountable for implementation of the audit recommendation.

Recommendation No. 2

10. UNICEF should revise the mandate of OIA to reflect the annual reporting to the Executive Board.

Measures taken by UNICEF

11. In accordance with the proposal made by UNICEF to the Executive Board at its third regular session of 1997, the secretariat has regularly provided an annual report to the Executive Board on audit issues and on the activities of OIA. The formal amendment to the mandate of OIA to include this reporting will be made by the end of 2001. The Executive Director and the Director, OIA, are accountable for implementation of the audit recommendation.

Recommendation No. 3

12. UNICEF OIA should formulate policy guidelines on working paper preparation in compliance with accepted internal auditing standards, and evidence of supervisory review should be shown on working papers to confirm that they have been subject to a proper level of supervisory review.

Measures taken by UNICEF

13. UNICEF OIA has revised its audit reporting format and working paper standards at the end of 2000. An audit planning, documentation, reporting and recommendation tracking software was introduced at the beginning of 2001. The software supports the systematic presentation of working papers for each audit and the demonstration of supervisory review by OIA management. Staff have been trained in the working paper standards and the use of the new software. The Executive Director and the Director, OIA, are accountable for implementation of the audit recommendation.

Recommendation No. 4

14. UNICEF should take expeditious action to extend the database tracking system to all regional offices and headquarters' divisions to enhance the monitoring capacity for internal audit recommendations.

Measures taken by UNICEF

15. UNICEF OIA has introduced a new software for audit planning, reporting and recommendation tracking in January 2001. The audit software is fully compatible with the UNICEF standard for global communication (Lotus Notes). Access by all regional offices and headquarters' divisions will be functional by the end of 2001 following the complete introduction of Lotus Notes within UNICEF. The Executive Director and the Director, OIA, are accountable for implementation of the audit recommendation.

Recommendation No. 5

16. UNICEF should improve its working capital management in order to attain the accepted liquidity standard.

Measures taken by UNICEF

17. UNICEF continuously assesses its working capital management in light of the Board of Auditors' recommendation. The UNICEF Comptroller is accountable for implementation of the audit recommendation.

Recommendation No. 6

18. UNICEF should disclose separately, convertible balances of general resources and supplementary funds in the "Notes to the financial statements" to facilitate the determination of the UNICEF liquidity position based on its policy.

Measures taken by UNICEF

19. UNICEF will take action on the issue of separate disclosure of convertible balances of regular resources (general resources) and other resources (supplementary funds and emergency relief/rehabilitation) in the "Notes to the financial statements" when preparing the financial statements for the biennium 2000-2001. The UNICEF Comptroller is accountable for implementation of the audit recommendation.

Recommendation No. 7

20. UNICEF should develop non-financial performance indicators as a basis for assessing its programme performance.

Measures taken by UNICEF

21. Country offices have set out a range of non-financial indicators through their annual management plans (AMPs). The AMPs define programme objectives, the strategies to reach the objectives, the inputs necessary to carry out the activities that will attain the objectives, and a monitoring system where indicators are used to measured the results achieved. These non-financial indicators are monitored throughout the year. Further, performance against these indicators is reviewed at both the country level, through annual management reviews, and the regional level, through the Regional Management Team meetings.

22. In addition, the new medium-term strategic plan (MTSP), which is currently being developed, aims to have a core set of specific indicators to measure results for which UNICEF can be substantially accountable. It is expected that these indicators will be introduced in a number of country programmes developed in the MTSP framework for 2002-2005 which start in 2002.

23. Further, the introduction this year of the revised Programme Information Database, effective January 2001, will significantly improve UNICEF capacity to report on programme expenditures and, together with other performance indicators, will provide a better capacity to assess results.

24. The Deputy Executive Director, Programme and Strategic Planning, is accountable for implementation of the audit recommendation.

Recommendation No. 8

25. UNICEF should consider external representation from another United Nations organization on its Internal Audit Committee.

Measures taken by UNICEF

26. The administration is considering the addition of representation from another United Nations organization on its Audit Committee. UNICEF has commissioned the Institute of Internal Auditors to conduct a Quality Assurance Review (QAR) of the audit function from 22 October to 2 November 2001. The QAR will include consideration of the role and membership of the UNICEF Audit Committee, and the secretariat will carefully review the observations and recommendations of that review in addressing the subject. The Executive Director is accountable for implementation of the audit recommendation.

Recommendation No. 9

27. UNICEF should establish a roster to guide its selection of consultants in its Supply Division. In addition, Supply Division should fully comply with the established procedures relating to the evaluation of consultants.

Measures taken by UNICEF

28. UNICEF Supply Division maintains a roster of qualified and pre-screened candidates for frequently employed services, such as procurement officers, technical consultants and training specialists. Additionally, UNICEF Supply Division maintains a web roster of the profiles of over 200 candidates interested in working with UNICEF. This database is used in the selection of consultants. Further, the Division no longer issues final payments on consultancy contracts unless the evaluation reports are presented with the payment requests. The Director, Supply Division, is accountable for implementation of the recommendation.

Recommendation No. 10

29. UNICEF should ensure that the management of the Americas and the Caribbean Regional Office (TACRO) ensures full compliance with the Administrative Instructions relating to the engagement of consultants.

Measures taken by UNICEF

30. TACRO has strengthened the human resources functions of the office with the addition of a senior human resources person. In addition, the business process for the hiring of consultants has been better defined. The office maintains a roster of qualified consultants, and procedures are in place to ensure the necessary coordination with the Division of Human Resources in New York on the hiring of consultants. TACRO will continue to stress the importance of ensuring compliance with the relevant Administrative Instructions and will continue to include the management indicator regarding the timely signing of Special Service Agreements as an input in the staffs' performance evaluation reports for the year 2001. The Regional Director, TACRO, is accountable for implementation of the audit recommendation.

Recommendation No. 11

31. UNICEF should ensure that the Integrated Monitoring and Evaluation Plan (IMEP) is implemented in the remaining 23 countries of TACRO to enhance monitoring and evaluation of programmes in the region.

Measures taken by UNICEF

32. The IMEP will be discussed in the Programme Budget Review in May 2001, and a regional workshop specifically for the 19 countries that have not implemented

IMEP will be held in June-July 2001. The Regional Office, which will be participating in these meetings, will ensure that these countries fully implement IMEP. It is the goal of TACRO to have all 23 countries fully implement the IMEP by the end of 2001. The Regional Director, TACRO, is accountable for implementation of the audit recommendation.

Recommendation No. 12

33. UNICEF should ensure that the Brasilia field office closely monitors purchase orders for more timely delivery of goods.

Measures taken by UNICEF

34. With the implementation of the Programme Manager System Supply Module in the Brasilia office, monitoring of purchase orders has become more transparent. Project officers continue to check pending supplies, and this information will enable the staff to follow-up on the timely delivery of goods. The Regional Director, TACRO, and the Representative of the Brasilia field office are accountable for implementation of the recommendation.

Recommendation No. 13

35. UNICEF should ensure that the Jakarta field office fully complies with procurement procedures relating to competitive bidding.

Measures taken by UNICEF

36. The Jakarta field office is pursuing the improvement of procurement procedures to ensure that these comply with the requirements for competitive bidding. The Regional Director for the East Asia and Pacific Regional Office and the Representative of the Jakarta field office are accountable for implementation of the audit recommendation.

III. Progress report regarding the status of implementation of the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1996-1997

37. After its audit of the accounts for the biennium 1998-1999, the Board of Auditors reviewed the status of implementation of the recommendations included in its report on the audit of the accounts for the biennium 1996-1997. The Board noted implementation of the following recommendations: (a) UNICEF should ensure that all systems are tested for year 2000 compliance with sufficient lead time to address any deficiencies; and (b) UNICEF should ensure the inclusion of a termination clause in future negotiations for office space lease agreements. Further, the Board agreed with the action taken by UNICEF on the following recommendation: UNICEF should recover a total of $1.45 million accounted for by five National Committees.

38. The Board of Auditors positively noted the steps taken by UNICEF to implement the following recommendations:

(a) UNICEF should strengthen the oversight responsibilities on the review of liquidation statements in respect of cash assistance to Governments to ensure that they are properly supported with complete details;

(b) UNICEF should expand and intensify its fund-raising activities, particularly in the area of general resources, and also strengthen the monitoring and control of expenditures;

(c) UNICEF should strengthen its efforts to obtain formal receipts from Governments as evidence that supplies and equipment have been received;

(d) The administration should ensure that recruitment of consultants fully complies with established rules and procedures;

(e) In order to improve its financial performance, UNICEF Greeting Card and related Operations should develop new marketing, advocacy and sales promotional strategies in order to increase the volume of its product sales and also increase its fund-raising;

(f) The administration should establish a more frequent interval for the transfer of sales proceeds to UNICEF by the National Committees to improve the recovery rates of sales proceeds;

(g) The administration should ensure that all National Committees for UNICEF comply with the cash accounting reporting requirements;

(h) UNICEF should review the formats of the monitoring and evaluation reports that are submitted to the Executive Board for uniformity in presentation and to ensure that the required information is provided;

(i) UNICEF should ensure that established procedures relating to the evaluation of the performance of consultants are complied with fully;

(j) UNICEF should ensure that National Committees and field offices operate within the established limits. In addition, UNICEF, in concert with the sales partners, should evolve new marketing strategies in order to boost the sales volume of the sales partners for desired profit targets to be achieved;

(k) UNICEF should monitor the activities of the sales partners to ensure strict compliance with established promotion activities.

39. The Board of Auditors did not require any further action on the above recommendations. However, the Board indicated that it would continue to monitor and review the areas covered in future audits.

IV. Recommendations that would require action by the General Assembly

40. The administration does not see any recommendation of the Board of Auditors that would require action by the General Assembly.